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OPEN MEETING ITEM

22 ORIGINAL u-35

ARIZONA CORPORATION COMMISSION

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DATE: March 12, 2001

Arizona Corporation Commission

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AZ CORP COMMISSION DOCUMENT CONTROL

DOCKET NO: W-02255A-00-0640

MAR 12 2001

TO ALL PARTIES:

DOCKETED BY [Signature]

Enclosed please find the recommendation of Hearing Officer Marc E. Stern. The recommendation has been filed in the form of an Order on:

YARNELL WATER IMPROVEMENT ASSOCIATION, INC. (RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MARCH 21, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

MARCH 26, 2001 AND MARCH 7, 2001

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

[Signature] BRIAN C. McNEIL EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 MARC SPITZER  
COMMISSIONER  
5

6 IN THE MATTER OF THE APPLICATION OF  
YARNELL WATER IMPROVEMENT  
7 ASSOCIATION, INC. FOR A PERMANENT RATE  
INCREASE.

DOCKET NO. W-02255A-00-0640  
DECISION NO. \_\_\_\_\_

8 **ORDER**

9 Open Meeting  
March 27 and 28, 2001  
10 Phoenix, Arizona

11 **BY THE COMMISSION:**

12 On August 30, 2000, Yarnell Water Improvement Association, Inc. ("Company" or  
13 "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a  
14 permanent rate increase.

15 On September 27, 2000, the Commission's Utilities Division ("Staff") filed a notice that the  
16 rate application had met the sufficiency requirement of A.A.C. R14-2-103.

17 Applicant provided notice to its customers of the application for a permanent rate increase on  
18 August 31, 2000. In response thereto, the Commission has received nine protests opposing the  
19 increase.

20 On February 28, 2001, Staff filed an Amended Staff Report, recommending that the revised  
21 rates proposed by Staff be approved without a hearing.<sup>1</sup>

22 \* \* \* \* \*

23 Having considered the entire record herein and being fully advised in the premises, the  
24 Commission finds, concludes, and orders that:

25 **FINDINGS OF FACT**

- 26 1. Applicant is an tax exempt corporation engaged in the business of providing water

27 <sup>1</sup> The Amended Staff Report was filed to correct an error in the Staff Report filed on December 11, 2000. The Amended  
28 Staff Report corrects an error in the accounting treatment for the amortization of 1975 Contributions in Aid of  
Construction ("CIAC") and results in a lower revenue requirement as well as lower recommended rates.

1 service to the public in an area approximately 30 miles southwest of Prescott in Yarnell, Yavapai  
 2 County, Arizona pursuant to authority granted by the Commission in Decision No. 44085 (April 22,  
 3 1974).

4 2. The Company's present rates and charges for water service were approved in Decision  
 5 No. 56656 (October 6, 1989).

6 3. On August 30, 2000, the Company filed with the Commission an application  
 7 requesting authority to increase its rates and charges.

8 4. On September 27, 2000, Staff filed notice that the rate application met the sufficiency  
 9 requirements of A.A.C. R14-2-103.

10 5. During the test year ended December 31, 1999 ("TY"), Applicant served 510  
 11 customers who are primarily provided service by means of 3/4 inch meters.

12 6. Average and median water usage for the Company during the TY were 3,399 and  
 13 1,982 gallons per month, respectively.

14 7. On August 31, 2000, Applicant notified its customers of the proposed rate increase,  
 15 and in response thereto, the Commission has received nine protests.

16 8. Staff conducted an investigation of Applicant's proposed rates and charges, and in the  
 17 Amended Staff Report filed February 28, 2001, recommended that its proposed rates be approved  
 18 without a hearing.

19 9. The rates and charges for Applicant at present, as proposed in the application, and as  
 20 recommended by Staff are as follows:

	Present Rates	Proposed Rates		
		<u>Company</u>	<u>Staff</u>	
21				
22	<u>MONTHLY USAGE CHARGE:</u>			
23	5/8" x 3/4" Meter	\$20.00	\$24.00	\$21.00
	3/4" Meter	20.00	24.00	21.00
24	1" Meter	35.00	40.00	35.00
	1 1/2" Meter	46.00	52.00	70.00
25	2" Meter	60.00	65.00	112.00
	3" Meter	75.00	80.00	210.00
26	4" Meter	N/A	0.00	350.00
27	6" Meter	N/A	0.00	700.00
28				

1	Gallons Included in Monthly Charge	1,000	1,000	0
	Per 1,000 Gallons up to 5,000	\$2.00	\$4.00	\$2.50
2	Per 1,000 Gallons from 5,001 to 10,000	3.75	4.75	3.50
	Per 1,000 Gallons from 10,001 to 50,000	5.50	6.25	4.75
3	Per 1,000 Gallons in excess of 50,000 gallons	5.50	7.00	6.00

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

5	5/8" x 3/4" Meter	\$300.00	\$700.00	\$455.00
6	3/4" Meter	300.00	700.00	515.00
	1" Meter	370.00	770.00	590.00
7	1 1/2" Meter	525.00	825.00	820.00
	2" Meter	525.00	825.00	1,380.00
8	3" Meter	850.00	950.00	1,935.00
9	4" Meter	N/A	1,050.00	3,030.00
	6" Meter	N/A	1,150.00	5,535.00

SERVICE CHARGE:

11	Establishment	\$30.00	\$50.00	\$40.00
	Establishment (After Hours)	30.00	80.00	60.00
12	Reconnection (Delinquent)	30.00	50.00	40.00
	Meter Test (If Correct)	30.00	30.00	30.00
13	Deposit	40.00	80.00	*
14	Deposit Interest	*	*	*
	Reestablishment (Within 12 Months)	**	**	**
15	NSF Check	12.00	25.00	25.00
	Deferred Payment	0.00%	0.00%	0.00%
16	Meter Reread (If Correct)	10.00	10.00	10.00

Monthly Service Charge for Fire Sprinkler:

18	4" or Smaller	\$0.00	\$0.00	***
	6"	0.00	0.00	***
19	8"	0.00	0.00	***
	10"	0.00	0.00	***
20	Larger than 10"	0.00	0.00	***

\* Per Commission Rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* 1% of Monthly Minimum for a Comparable Size Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$71,602, which is the same as its original cost rate base.

11. Applicant's present rates and charges produced operating revenues of \$189,539 and

1 adjusted operating expenses of \$199,820 which resulted in an operating loss of \$10,281 for the TY.

2 12. The rates and charges Applicant proposed would produce operating revenues of  
3 \$234,539 and adjusted operating expenses of \$199,820, resulting in net operating income of \$34,719  
4 for a 48.49 percent rate of return on FVRB.

5 13. The revised rates and charges Staff recommended would produce operating revenues  
6 of \$203,283 and adjusted operating expenses of \$171,767,<sup>2</sup> resulting in net operating income of  
7 \$31,516 for a 44.02 percent rate of return on FVRB.

8 14. Staff's recommendation results in a \$13,744 revenue increase over Applicant's TY  
9 revenues.

10 15. Applicant's proposed rates would increase the average monthly customer bill by 35.5  
11 percent from \$24.80 to \$33.59, and the median monthly customer bill by 27.2 percent from \$21.96 to  
12 \$27.93.

13 16. Staff's recommended revised rates would increase the average monthly customer bill  
14 by 18.95 percent, from \$24.80 to \$29.50, and the median monthly customer bill by 18.17 percent,  
15 from \$21.96 to \$25.95.

16 17. Staff believes that its recommended rates should amply provide Applicant with the  
17 necessary operating income to insure viable operations in the future.

18 18. Staff has verified that Applicant is current on its property tax payments to Yavapai  
19 County and that the Company is also current with its payment of sales taxes to the Arizona  
20 Department of Revenue.

21 19. Staff has verified that Applicant is current on its filings with the Commission, that the  
22 Arizona Department of Environmental Quality ("ADEQ") has determined that Applicant is delivering  
23 water with no maximum contaminant level violations and that its water meets the water quality  
24 standards of the Safe Drinking Water Act.

25 20. According to Staff, Applicant is not maintaining its books and record in accordance  
26

27 <sup>2</sup> After removing totally depreciated plant items, Staff reduced Applicant's operating expenses by  
28 approximately \$28,000 to make an allowance for a substantial decrease in Applicant's depreciation expense brought  
about by Staff's adoption of a composite depreciation rate of 3.13 percent which resulted in \$18,847 in depreciation  
expense.

1 with the NARUC Uniform System Accounts and should do so in the future.

2 21. Staff's proposed revised rates and charges are reasonable and should be adopted as  
3 should the following additional Staff recommendations:

- 4 • that the Company maintain its books and records in accordance with the
- 5 NARUC Uniform System of Accounts;
- 6 • that Applicant include in its tariff a provision to allow for the flow-through of
- 7 appropriate state and local sales taxes as provided for A.A.C. R14-2-409(D);
- 8 and
- 9 • that Applicant adopt the depreciation rates delineated in the Engineering
- 10 Report attached to the Staff Report.

9 **CONCLUSIONS OF LAW**

10 1. Applicant is a public service corporation within the meaning of Article XV of the  
11 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

12 2. The Commission has jurisdiction over Applicant and of the subject matter of the  
13 application.

14 3. Notice of the application was provided in the manner prescribed by law.

15 4. The rates and charges authorized hereinafter are just and reasonable and should be  
16 approved without a hearing.

17 5. Staff's recommendations as set forth in Findings of Fact No. 21 are reasonable and  
18 should be adopted.

19 **ORDER**

20 IT IS THEREFORE ORDERED that Yarnell Water Improvement Association, Inc. is hereby  
21 directed to file on or before March 30, 2001, revised rate schedules setting forth the following rates  
22 and charges:

23 **MONTHLY USAGE CHARGE:**

24	5/8" x 3/4" Meter	\$21.00
25	3/4" Meter	21.00
	1" Meter	35.00
26	1 1/2" Meter	70.00
	2" Meter	112.00
27	3" Meter	210.00
28	4" Meter	350.00

1	6" Meter	700.00
2	Gallorage Charge Per 1,000 Gallons:	
	up to 5,000 gallons	\$2.50
3	5,001 to 10,000 gallons	3.50
	10,001 to 50,000 gallons	4.75
4	in excess of 50,000 gallons	6.00

5 SERVICE LINE AND METER INSTALLTION CHARGES:

6 (Refundable pursuant to A.A.C. R14-2-405)

7	5/8" x 3/4" Meter	\$455.00
	3/4" Meter	515.00
	1" Meter	590.00
8	1 1/2" Meter	820.00
	2" Meter	1,380.00
9	3" Meter	1,935.00
10	4" Meter	3,030.00
	6" Meter	5,535.00

11 SERVICE CHARGE:

12	Establishment	\$40.00
13	Establishment (After Hours)	60.00
	Reconnection (Delinquent)	40.00
14	Meter Test (If Correct)	30.00
	Deposit	*
15	Deposit Interest	*
	Reestablishment (Within 12 Months)	**
16	NSF Check	25.00
17	Meter Reread (If Correct)	10.00
18	4" or Smaller	***
	6"	***
19	8"	***
	10"	***
20	Lager than 10"	***

21 \* Per Commission Rule A.A.C. R-14-2-403(B).  
 22 \*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).  
 23 \*\*\* 1% of Monthly Minimum for a Comparable Size Meter Connection, but no less than  
 24 \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service  
 lines separate and distinct from the primary water service line.

25 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
 26 provided on and after April 1, 2001.

27 IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. shall notify  
 28

1 its customers of the rates and charges authorized hereinabove and the effective date of same by  
2 means of an insert in its next regular monthly billing statement.

3 IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. shall comply  
4 with all Staff recommendations which appear in Finding of Fact No. 21.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
7  
8

9 CHAIRMAN COMMISSIONER COMMISSIONER  
10  
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this \_\_\_\_ day of \_\_\_\_\_, 2001.

17 \_\_\_\_\_  
18 BRIAN C. McNEIL  
19 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR: YARNELL WATER IMPROVEMENT  
ASSOCIATION, INC.

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3 DOCKET NO. W-02255A-00-0640

4 Pamela A. Mills  
5 General Manager  
6 YARNELL WATER IMPROVEMENT  
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